

SENATE BILL REPORT

SHB 2119

As Reported By Senate Committee On:
Agriculture & Agricultural Trade & Development, February 15, 1996
Ways & Means, March 7, 1996

Title: An act relating to excise taxation of fruit and vegetables preserved by canning or other means.

Brief Description: Providing for the excise taxation of preserved fruit and vegetables.

Sponsors: House Committee on Agriculture & Ecology (originally sponsored by Representatives Honeyford, Lisk, Morris, Chandler, Mastin, Grant, Delvin, Clements, Basich, Mulliken, Skinner, Kremen, Koster, Boldt, Goldsmith, McMorris, Johnson, Hymes, Thompson, Foreman, Hankins, Sheldon, Schoesler, Campbell, L. Thomas, Sheahan and Stevens).

Brief History:

Committee Activity: Agriculture & Agricultural Trade & Development: 2/15/96 [DP].
Ways & Means: 3/7/96 [DP].

SENATE COMMITTEE ON AGRICULTURE & AGRICULTURAL TRADE & DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Rasmussen, Chair; Loveland, Vice Chair; Bauer, Morton, Newhouse and Snyder.

Staff: Vic Moon (786-7469)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Moyer, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: David Schumacher (786-7474)

Background: The primary business and occupation (B&O) tax rate on manufacturing and on wholesale sales is 0.484 percent. For manufacturing, the rate is applied to the value of the products manufactured. For wholesale sales, the rate is applied to the gross proceeds of the sales.

There are a number of statutory exceptions to the primary rate. The B&O tax rate for persons engaged in manufacturing by canning, preserving, freezing, or dehydrating fresh

fruits and vegetables is established at 0.33 percent. According to a recent Department of Revenue audit interpretation, persons who sell these same products at wholesale to a purchaser who transports the products outside the state are not taxed at this lower rate, but if the person who sells the products transports them himself, the products are taxed at a lower rate.

Summary of Bill: The B&O tax rate for persons selling at wholesale fresh fruits and vegetables that are canned, preserved, frozen, or dehydrated by the seller and sold to purchasers who transport the products out-of-state in the ordinary course of business is clarified and clearly set at 0.33 percent.

The seller must provide a statement annually as proof of sale to a person who transfers the products out-of-state and must retain the statement as a business record.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: In a recent audit finding, the Department of Revenue said that a higher B&O tax rate would apply depending on who transported the product out of state. Whether the seller or the out-of-state buyer rents the truck, the tax rate should be the same.

Testimony Against: None.

Testified: PRO: Bill Fritz, Washington Fruit Processors; John McAlister, Tree Top.